



PEABODY
STATE BANK

2005 SEP 15 AM 9:51

September 12, 2005

John F. Carter
Regional Director
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square
Suite 2300
San Francisco, California 94104

Re: Wal-Mart application for insurance and industrial
bank charter

Dear Mr. Carter:

I am the president of a bank in a small community in south-central Kansas that is too small to have a Wal-Mart store. The nearest Wal-Mart is fifteen miles away. When I look at the checks being written by my customers, it amazes me the number that are written to Wal-Mart. I grew up in my community and I can remember what the downtown was like in the 50s. It's sad to see that the clothing stores are all gone, the variety stores are all gone, the bakery is gone and we have one grocery store left. Because there are few businesses to advertise, the newspaper is now gone. I have seen a similar loss of downtown business in the larger communities surrounding us where the Wal-Marts do exist. Wal-Mart, of course, is not the main reason for this decline, but a vary large contributing partner.

As I understand it, Wal-Mart has applied for a charter for an industrial loan company in Utah. They have indicated their purpose for that application is to allow them to process debit and credit card usage at a reduced cost, which sounds reasonable. However, I recall several previous attempts by Wal-Mart to make an entrance into the field of banking, which were blocked for various reasons. I have a hard time believing that if this current charter request is granted they won't continue to push for additional powers until they get what they want. The old "camels nose under the tent" so to speak. Does the banking business need additional concentration?

Wal-Mart is well known for their method of operation; move into town, underprice their competition until the competition gives up, then they become the main retailer. I'm sure their methods would work on banks too. The initial effect may be good for the consumer, the long term effect would not. If you were a remaining retailer in a Wal-Mart town, how would it feel to have to take your deposits to the Wal-Mart bank and how impartial will the Wal-Mart bank be in making loans to businesses that are their competition. Conversely, if you are a supplier of Wal-Mart will they now require you to do all your banking with them

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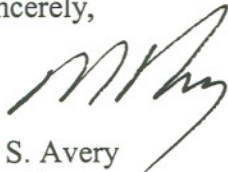
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to enable you to continue as a supplier? Should the Wal-Mart bank decide to export the funds out of a community, who will support local lending and economic development if the community bank no longer exists?

Ever since I was in my high school economics class, I have been taught that the success of the banking system in the United States has been dependent on the principle of the separation of banking and commerce. More recently, Federal Reserve Chairman Alan Greenspan has repeatedly argued that the mixing of banking and commerce presents safety and soundness concerns and would introduce additional risks to the deposit insurance funds and to taxpayers if the safety net protecting depositors of insured institutions is extended to non-depository affiliates. It is my understanding that an industrial loan company is subject to a loophole in the Bank Holding Company Act and, unlike other companies that own banks, is not regulated at the holding company level by the Federal Reserve Bank. Allowing a commercial firm to operate a nationwide bank outside the supervisory framework established by Congress for the owners of insured banks raises significant safety and soundness concerns and creates an unlevel competitive playing field.

I obviously believe the Wal-Mart application should be denied. An entry by Wal-Mart into retail banking poses an enormous, unjustifiable threat to taxpayers, consumers, small communities, small business, FDIC insurance and the soundness of our banking system itself. Our nation's long-standing principle of separation of banking and commerce should not be allowed to be skirted by the world's largest commercial company.

Sincerely,

A handwritten signature in dark ink, appearing to read 'R. S. Avery', is written over the printed name.

R. S. Avery
President